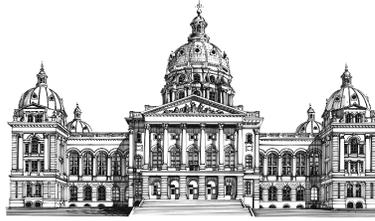


Iowa Legislative Fiscal Bureau



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An Update of the Revenue Enhancement Program at the Iowa Veterans Home

ISSUE

Status of the Revenue Enhancement Program authorized by the 1992 General Assembly as related to the reclassification and reopening of beds at the Iowa Veterans Home.

AFFECTED AGENCIES

Commission on Veterans Affairs, Iowa Veterans Home

CODE AUTHORITY

Chapter 1241, Section 18.3c, 1992 Iowa Acts

Chapter 170, Section 6.3b, 1993 Iowa Acts

Chapter 1200, Section 6.3, 1994 Iowa Acts

House File 530, Section 7.3b

BACKGROUND

The 1992 General Assembly allowed the Iowa Veterans Home to retain funds generated through reimbursement from any source other than the State for costs associated with the reclassification and reopening of beds. This allowance is called the Revenue Enhancement Program. In each subsequent year the General Assembly has reauthorized the Program.

The Revenue Enhancement Program has as the primary focus additional resident eligibility based upon Medicaid reimbursement. The Program is based on restructuring current nursing units and a four-part phase-in of 208 new beds at the Iowa Veterans Home. The revenue generated by increased patients offsets the increase in the General Fund appropriation to the Home. The Revenue Enhancement Program is not creating a new revenue source, but is leveraging existing federal funds. Based on the Program, the following increases were included in HF 429, Health and Human Rights Appropriations Bill, for FY 1994; HF 2376, Health and Human Rights Appropriations Bill, for FY 1995; and HF 530, Health and Human Rights Appropriations Bill, for FY 1996. Amounts have been adjusted to reflect actual expenses and changes in the scheduled opening of new units.

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- \$203,206 and 6.34 FTE positions for direct care staff necessary to maintain Title XIX Certification of the Sheeler Building and the Alzheimer's Disease Unit, and \$65,355 for a consultation contract for expertise in decision-making for Medicare Parts A and B and a medical information transcribing work station.
- \$2,319,140 and 61.50 FTE positions to provide annual funding for the 52-bed heavy-care nursing unit opened in April 1993.
- \$2,264,260 and 61.00 FTE positions to provide annual funding for the 52-bed heavy-care nursing unit opened in October 1993.
- \$2,306,346 and 62.00 FTE positions to provide annual funding for the 52-bed heavy-care nursing unit opened in May 1994.
- \$2,314,889 and 62.00 FTE positions to provide annual funding for the 52-bed heavy-care nursing unit opened in March 1995.

The following table illustrates the number of operating beds by type at the Iowa Veterans Home at the end of each fiscal year.

Type of Care	Actual FY 1992	Actual FY 1993	Actual FY 1994	Actual FY 1995	Estimated FY 1996
Domiciliary (Residential)	111	108	110	110	110
Infirmery (Skilled)	23	23	20	20	20
Nursing (Skilled)	447	459	611	652	637
Total Beds	581	590	741	782	767

CURRENT SITUATION

Revenue Enhancement Program:

The opening of 208 nursing care beds associated with the Revenue Enhancement Program is completed. Information concerning the Iowa Veterans Home's resident/patient census and bed openings is as follows:

- The waiting list of 14 persons on June 8, 1995, included 12 veterans and 2 non-veterans. The Iowa Veterans Home receives 5 to 6 applications per week.
- On June 1, 1995, there were 700 residents in the Iowa Veterans Home.
- The first 52-bed heavy-care nursing unit supported by the Revenue Enhancement Program was filled on August 27, 1993. The unit was scheduled to open in March, but did not admit the first resident until April 7.
- The second 52-bed heavy-care nursing unit supported by the Revenue Enhancement Program was scheduled to open in August 1993. However, the Iowa Veterans Home admitted the first resident in October 1993, with the unit being filled on March 1, 1994.
- The third 52-bed heavy-care nursing unit supported by the Revenue Enhancement Program was scheduled to open in March 1994. The Home opened the unit in May 1994.
- The final 52-bed heavy-care nursing unit supported by the Revenue Enhancement Program was scheduled to open in August 1994. Due to the remodeling of Sheeler's third floor, the unit was opened in June 1994.
- The Sheeler's third floor was closed in June 1994, for remodeling into a 40-bed dementia unit. Reopening was scheduled for January 1995. Due to construction-related delays, the unit did not reopen until May 1995.

- In FY 1995 the Iowa Veterans Home used \$800,000 of the Revenue Enhancement Program revenues to add staff to certify the Dack Building for Medicaid (Title XIX). The projected revenues associated with the certified beds in FY 1995 total \$1,600,000. In HF 530, \$970,647 was appropriated to the Iowa Veterans Home to complete the certification of the Dack Building. The projected revenues associated with the entire project total \$1,800,000 annually.

Revenues:

- Medicaid: As of June 1, 1995, there were 172 patients participating in the Medicaid Program and three patients with Medicaid applications pending. With the opening of the new heavy-care nursing units and with certification of the Dack Care Facility, the number of patients in the Medicaid Program are projected to increase.
- Medicare: The Medicare revenues associated with the Revenue Enhancement Program are based upon a fee-for-service. For FY 1993, approximately \$60,000 was generated as a result of the Revenue Enhancement Program. On June 1, 1995, the Iowa Veterans Home estimated \$525,000 in related Medicare revenues for FY 1995.
- Resident Support: In April 1993, a new billing system was installed which accepts as payment the individual's per diem for the patient's level of care minus the federal Department of Veterans Affairs per diem and the Medicare premium. If the resident participates in the Medicaid Program, the Department of Human Services determines the pre-offset amount.

ALTERNATIVE

The only alternative to the opening of the heavy-care nursing units, as outlined in the Revenue Enhancement Program, is to place veterans in skilled nursing facilities. If the State of Iowa was not involved in the Revenue Enhancement Program, many Iowa Veterans Home residents would need placement in the skilled nursing facilities throughout the State. Residents admitted to the new heavy-care nursing units are infirm and would be placed in sub-acute facilities or hospitals, resulting in higher costs to the State in Medicaid. In addition, the number of skilled nursing facilities beds in Iowa is limited. By reopening heavy-care nursing units at the Home, skilled nursing facilities' beds become available to the general public.

BUDGET IMPACT

The Revenue Enhancement Program allows the Home to open beds without the use of new State dollars. The funding stream for the Iowa Veterans Home is accomplished by providing the entire operating budget for a fiscal year of the Home through a General Fund appropriation. The Home then receives funds from other sources and returns those funds to the State's General Fund. While it appears the General Fund appropriation has increased, the Iowa Veterans Home has also increased receipts to the General Fund by a like amount due to the Revenue Enhancement Program. In addition, the increased population should offset future increases in per diem rates for nursing care to residents at the Iowa Veterans Home.

The following table illustrates funding of the Iowa Veterans Home.

Appropriation	FY 1993 Actual	FY 1994 Actual	FY 1995 Estimated
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General Fund	\$28,815,148	\$31,407,808	\$36,807,020
<u>Offsetting Funds</u>			
Department of Veteran Affairs	4,195,798	5,180,916	6,664,692
Medicaid (Title XIX)	449,485	2,507,510	3,989,583
Medicare (Title XXVIII)	264,453	419,311	396,000
Resident Payment	7,632,903	8,919,560	10,087,500
Miscellaneous	60,068	70,282	66,000
<hr/> Total Offsetting Funds*	<hr/> \$12,602,707	<hr/> \$17,097,579	<hr/> \$21,203,775
<hr/> Net State Funding	<hr/> \$16,212,441	<hr/> \$14,310,229	<hr/> \$15,603,245

* This amount is returned to the General Fund.

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